

BAINTON McCARTHY LLC  
26 Broadway, Suite 2400  
New York, New York 10004  
Telephone (212) 480-3500  
Facsimile (212) 480-9557

*Attorneys for Defendants  
Robert B. Nichols and Ellen M. Nichols*

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

----- x

In re:	Chapter 11
BAYOU GROUP, LLC, et al.,	Case No.: 06-22306 (ASH)
Debtors.	Jointly Administered

----- x

BAYOU MANAGEMENT LLC,	
Plaintiff,	Adv. Proc. No.: 08-08292 (ASH)

- against -

ROBERT B. NICHOLS, ELLEN M.  
NICHOLS, SAMUEL ISRAEL III, and JOHN  
DOES 1-5,

Defendants.

----- x

**ANSWER OF DEFENDANTS ROBERT B. NICHOLS AND  
ELLEN M. NICHOLS AND DEMAND FOR TRIAL BY JURY**

Defendants Robert B. Nichols ("Mr. Nichols") and Ellen M. Nichols  
("Mrs. Nichols"), by their attorneys, Bainton McCarthy LLC, for their answer to the  
Adversary Complaint:

1. State that they lack knowledge or information sufficient with which to form a belief as to the truth of the averments of paragraphs 1 through 4, 7, 8, 12 through 19, and 31 through 35 thereof.

2. Deny the averments of paragraph 5 thereof and state that this is a not core proceeding and that they do not consent to the entry of final orders or judgment by the Bankruptcy Court.

3. In response to the averments of paragraph 9 thereof, admit that Defendant Samuel Israel III ("Israel") is a natural person and state that they lack knowledge or information sufficient to form a belief as to the truth of the averments regarding Israel's current address.

4. Deny the averments of paragraph 21 thereof.

5. Deny the averments of paragraph 22 thereof, except state that Plaintiff has selectively quoted from their Verified Petition For Adjudication of Interest Pursuant to 21 U.S.C. § 853(n) in a materially misleading manner. Defendants expressly deny that Mr. Nichols has any experience with any "prime bank instrument trading program" and further deny that the services performed for Israel by Mr. Nichols related in any way to "prime bank instrument trading."

6. Deny the averments of paragraph 23 thereof, except state that on July 11, 2004, Mr. Nichols and Israel executed a written Financial and Security Consultancy Agreement (the "Agreement"), which did not relate in any way to a "prime bank instrument trading program."

7. Deny the averments of paragraph 25 thereof, except state that on July 19, 2004, Israel paid the \$10 Million fee he owed pursuant to the terms of the Agreement.

8. States that they lack knowledge or information sufficient with which to form a belief as to the truth of the averments of paragraph 26 thereof, except state that at the time Mr. Nichols received payment of the \$10 Million fee pursuant to the Agreement he reasonably believed that the fee was being paid for services rendered with personal funds of Israel and had no reason to believe otherwise.

9. Denies the averments of paragraph 28 thereof, except state that on or about July 19, 2004, Israel made timely payment of the \$10 fee Million contemplated by the Agreement.

10. Deny the averments of paragraph 29 thereof, except state that a portion of the \$10 Million fee paid by Israel to Mr. Nichols pursuant to the Agreement was transferred by Mr. Nichols to a joint account owned by Mr. and Mrs. Nichols.

11. Repeat and reaver the averments of paragraphs 1 through 10 hereof in response to the averments of paragraphs 30 and 36 thereof.

12. Deny the averments of paragraphs 37 through 39 thereof.

**AS AND FOR A FIRST DEFENSE, AVER:**

13. Plaintiff is not entitled to the relief it seeks because Mr. Nichols received the \$10 Million fee for value, in good faith and without knowledge of the alleged voidability of the transfer.

**DEMAND FOR TRIAL BY JURY**

14. Pursuant to Federal Rule of Civil Procedure 38, Defendants

Robert B. Nichols and Ellen M. Nichols hereby demand a trial by jury of all issues so triable.

Dated: New York, New York  
June 12, 2008

BAINTON MCCARTHY LLC

By: /s/ J. Joseph Bainton  
J. Joseph Bainton (JB-5934)

*Attorneys for Defendants*  
*Robert B. Nichols and Ellen M. Nichols*  
26 Broadway, Suite 2400  
New York, NY 10004-1840  
(212) 480-3500  
(212) 480-9557 (facsimile)